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AUDITOR-CONTROLLER

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DEPARTMENT OF AUDITOR-CONTROLLER**

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November 4, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: John Naimo 
Auditor-Controller

SUBJECT: **HUMAN SERVICES ASSOCIATION – A DEPARTMENT OF PUBLIC
SOCIAL SERVICES DOMESTIC VIOLENCE SUPPORT SERVICES
PROGRAM PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a program and fiscal review of Human Services Association (HSA or Agency), which covered a sample of transactions from July 2012 through April 2014. The Department of Public Social Services (DPSS) contracts with HSA, a non-profit organization, to provide Domestic Violence Supportive Services (DVSS) Program services to eligible victims of domestic violence. DVSS Program services include performing assessments, facilitating shelter assistance, and providing legal assistance to the victims.

The purpose of our review was to determine whether HSA appropriately accounted for and spent DVSS Program funds to provide the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with their contract and other applicable guidelines.

DPSS paid HSA approximately \$686,000 from July 2012 through April 2014. The County's current contract with HSA is fee-for-service and requires the Agency to return or reinvest any unspent revenue. HSA provides services to residents of the First Supervisorial District.

Results of Review

HSA provided services to eligible participants, recorded and deposited DPSS payments timely, and Agency staff had the required qualifications. However, the Agency did not always comply with all of their County contract requirements. Specifically, HSA:

- Did not appropriately allocate \$5,385 in shared non-payroll expenditures to the DVSS Program.

HSA's attached response indicates that they will reallocate all shared expenditures charged to the DVSS Program during Fiscal Years 2012-13 and 2013-14 using allowable methods, provide DPSS with supporting documentation, and repay any overbilled amounts.

- Inappropriately allocated \$2,617 in payroll costs to the DVSS Program for two employees who worked on County and non-County programs based on contract budgets, instead of actual conditions as required.

HSA's attached response indicates that they will use allowable methods to allocate payroll costs to the DVSS Program.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with HSA and DPSS in October 2014. HSA's attached response indicates agreement with our findings and recommendations. DPSS will work with HSA to ensure that our recommendations are implemented.

We thank HSA management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:AA:pn

Attachments

- c: William T Fujioka, Chief Executive Officer
Sheryl L. Spiller, Director, DPSS
Ronald Garcia, Board President, HSA
Leticia Chacon, Executive Director, HSA
Public Information Office
Audit Committee

**HUMAN SERVICES ASSOCIATION
DOMESTIC VIOLENCE SUPPORTIVE SERVICES PROGRAM
CONTRACT COMPLIANCE REVIEW
JULY 2012 THROUGH APRIL 2014**

ELIGIBILITY

Objective

Determine whether Human Services Association (HSA or Agency) provided services to individuals who met the Domestic Violence Supportive Services (DVSS) Program eligibility requirements.

Verification

We reviewed the case files for ten (14%) of the 73 participants who received services during February 2014 for documentation to confirm their eligibility for DVSS Program services.

Results

HSA had documentation to support all ten participants' eligibility for DVSS Program services.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether HSA provided the services required by their County contract and DVSS Program guidelines, and whether the Program participants received the billed services.

Verification

We visited HSA's service site, and reviewed the case files for ten (14%) of the 73 participants who received services during February 2014.

Results

HSA provided services in accordance with their County contract for the ten participants reviewed.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether HSA's staff had the qualifications required by their County contract.

Verification

We reviewed the personnel files for five (56%) of the nine HSA employees who worked on the DVSS Program.

Results

HSA's staff had the qualifications required by their County contract.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether HSA properly recorded revenue in their financial records, deposited cash receipts into their bank account timely, and that bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed HSA's management, and reviewed their financial records and February 2014 bank reconciliations.

Results

HSA properly recorded revenue in their financial records, deposited Department of Public Social Services (DPSS) payments into their bank account timely, and Agency management reviewed and approved monthly bank reconciliations.

Recommendation

None.

EXPENDITURES/COST ALLOCATION PLAN**Objective**

Determine whether expenditures charged to the DVSS Program were allowable under their County contract, properly documented, and accurately billed. In addition, determine whether the Agency prepared their Cost Allocation Plan (Plan) in compliance with their County contract, and used the Plan to allocate shared expenditures appropriately.

Verification

We interviewed HSA's personnel, and reviewed the Agency's Plan and financial records for 15 non-payroll expenditures, totaling \$13,971, that the Agency charged to the DVSS Program from December 2012 through April 2014.

Results

HSA prepared their Plan in compliance with their County contract. However, HSA inappropriately charged \$5,385 (39%) of the \$13,971 in non-payroll expenditures reviewed to the DVSS Program. Specifically, the Agency inappropriately:

- Allocated \$3,123 to the DVSS Program for shared expenditures based on contract budgets, instead of using allowable methods based on actual conditions as required.
- Charged \$2,262 (100%) to the DVSS Program for shared office supplies and staff recruiting expenditures, instead of allocating the expenditures to all benefiting programs as required.

Recommendations**Human Services Association management:**

1. **Reallocate all shared expenditures charged to the Domestic Violence Supportive Services Program during Fiscal Years 2012-13 and 2013-14, provide the Department of Public Social Services with supporting documentation, and repay any overbilled amounts.**
2. **Ensure that all expenditures charged to the Domestic Violence Supportive Services Program are allowable, properly documented, and accurately billed.**

PAYROLL AND PERSONNEL**Objective**

Determine whether HSA charged payroll costs to the DVSS Program appropriately, and maintained personnel files as required.

Verification

We traced the payroll costs for five employees, totaling \$6,670 for February and March 2014, to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for five HSA DVSS Program staff.

Results

HSA maintained personnel files as required. However, HSA inappropriately allocated \$2,617 (39%) of the \$6,670 in payroll costs reviewed to the DVSS Program. Specifically, HSA allocated the payroll costs for two employees who worked on County and non-County Programs based on contract budgets, instead of actual conditions as required.

Recommendation

Refer to Recommendations 1 and 2.

CLOSE-OUT REVIEW**Objective**

Determine whether HSA had any unspent revenue for the DVSS Program for Fiscal Year (FY) 2012-13.

Verification

We traced the total revenues and expenditures from HSA's semi-annual close-out reports for FY 2012-13 to the Agency's accounting records, and to DPSS' payment records.

Results

HSA's close-out reports indicated that they did not have any unspent revenue for FY 2012-13. However, HSA needs to revise their accounting records based on our recommendations above, provide DPSS with revised close-out reports for FY 2012-13, and work with DPSS to return or reinvest any unspent revenue.

Recommendation

3. Human Services Association management revise their accounting records based on the recommendations above, provide the Department of Public Social Services with revised close-out reports for Fiscal Year 2012-13, and work with the Department of Public Social Services to return or reinvest any unspent revenue.



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Where Caring Becomes Doing

October 8, 2014

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Re: Human Services Association's DVSS for July 2012 through April 2014

This letter is in response to the three recommendations established by the Los Angeles Auditor Controller in regards to the Domestic Violence Supportive Services (DVSS) Program audit. Human Services Association (HSA) agrees with the recommendations established in the report and has incorporated the appropriate controls to monitor all related expenses and program allocations to correctly following Generally Accepted Accounting Principles (GAAP) and follow all principles outlined in the OMB Circulars.

In regards to the recommendations established by the Auditor, HSA will use an allowable allocation method to reallocate all payroll related expenses and non-related payroll expenses established in the OMB Circulars. If applicable, payroll expenses will also be charged to the DVSS Program based on direct hours worked. HSA has conducted a staff-to-case analysis of each staff allocated to the DVSS Program and will provide revised closeout Reports to the County for any overbilled payment, as needed.

In the future, HSA will review all non-payroll expenditures and allocate each item based on an allowable method. HSA will also work closely with the Department of Public Social Services to maintain all the required fiscal monitoring procedures established in the agreed contract.

Human Services Association will continue to provide both strong fiscal and programmatic controls to provide great services and continue a great partnership with the Department of Public Social Services.

Please feel free to contact me if you have any questions, 562-806-5400 ext. 158, or via email Ricardo.mota@hsala.org

Thank you

A handwritten signature in blue ink that reads "Ricardo Mota".

Ricardo Mota, Chief Financial Officer